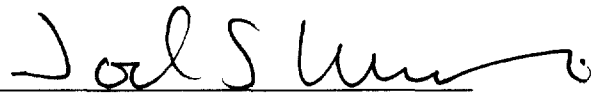


provision of international and domestic facilities-based and simple resale services, not control of international facilities. Because co-marketing arrangements between the dominant U.S. carrier and dominant and monopoly foreign carriers threaten the emerging international competitive marketplace, all such AT&T agreements should be scrutinized under the effective market access standard. Finally, international private line simple resellers should be permitted to transit U.S. outbound traffic via ISR-approved countries.

Respectfully submitted,

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Briefing Memorandum on Negotiations between AT&T and Unisource

AT&T and Unisource are at present involved in negotiations in view of establishing a structural cooperation with regard to the provision of telecommunications services to multinational corporations and other business users. These negotiations aim ultimately at the establishment of a joint venture company, provisionally named Uniworld, offering certain pan-European telecommunications services. An agreement in principle regarding the establishment of the joint venture will be announced in the week of December 12. The parties aim at signing the relevant agreements in the second quarter of 1995 and hope that the joint venture company will be operational as soon as possible thereafter.

The parties have already announced two other forms of cooperation which will become operational in the near future, and which will be passed on to the joint venture company upon its establishment. These other forms of cooperation are as follows:

- (i) the accession of Unisource to WorldPartners in order to enable Unisource (and ultimately the joint venture company) to offer global telecom and related services to multinational corporations and other business users under the Service Mark WorldSource (sm); and
- (ii) a teaming agreement in order to structure the joint offering of services when dealing with the members of the European Virtual Private Network Users Association (EVUA).

The agreements regarding WorldPartners have already been signed by the parties but are not expected to be implemented before the end of this year or the first quarter of next year (as certain aspects are still being discussed). The teaming agreement is still under negotiation.

The "Uniworld" Joint Venture

The joint venture will be established as a limited company. Unisource will hold 60% of the shares and AT&T will hold 40%. It is presently envisaged that unanimous voting will be required for certain key decisions, including approval or amendment of the annual budget, business plan and strategic plan.

The range of services to be offered by the joint venture will initially consist of data communications services such as X.25 and frame relay, managed bandwidth messaging, international voice VPN services to closed user groups and VSAT services. It will offer these services throughout the European Economic/Free Trade Areas. The parties intend to extend the range of services by including other liberalized services subject to agreement.

Unisource will effectively transfer to the joint venture its business units for the provision of the above services, i.e. Unisource Business Networks (UBN), Unisource Satellite Services (USS) and Unisource Voice Services (UVS). AT&T will effectively transfer to the joint venture its Business Communications Services Europe (BCS-E) data services, Easy Link messaging, and its VSAT services in Europe (including sales force and other relevant staff). As a result of the foregoing transfers, there will be no overlap in Europe between the parties and the joint venture for services offered by the latter. Moreover, the parties will expressly agree not to offer services in Europe in competition with the services of the joint venture. Unisource and AT&T will therefore not compete in the service areas assigned to the joint venture. The parties consider that the alliance between AT&T and Unisource will enhance the quality of the above mentioned range to be provided more rapidly in more European areas than would otherwise be achieved by either party acting separately.

WorldPartners

The joint venture is also intended to offer global connectivity to European customers who have a need not only for pan-European services but also for connectivity on a virtual private basis with operations outside Europe. It will be able to achieve global connectivity for certain service offerings through the WorldPartners agreements, as Unisource will assign its interests in these arrangements to the joint venture.

In acceding to WorldPartners, Unisource has become a Partner in the WorldPartners Company; its co-partners are wholly-owned subsidiaries of AT&T, Singapore Telecom and KDD in Japan. The WorldPartners Company does not offer services on the market. It is a central support organization to facilitate the delivery of seamless global telecommunications and related services to multinational customers by the above Partners and their correspondents (i.e. the other Members). It is set up as a US partnership. WorldPartners is not set up as a profit center but managed on a break-even economic model.

In its structure, a distinction is made between the Partners and the Members. All Partners are also Members of the WorldPartners Association,¹ but only Partners participate in the definition of services and standards. Members are only licensed to offer the WorldSource services. The Members are AT&T (North America and the UK²), KDD (Japan), Hong Kong Telecom, Singapore Telecom, Telecom Zealand, Telstra (Australia), Unisource (Continental Europe), and Unitel. Korea Telecom is expected to join before the end of the year.

The WorldPartners Company defines offer of services under the WorldSource (sm) Service Mark and engages in technology planning and design in support of these services. The services covered by WorldPartners technological back-up packages and provided under the WorldSource (sm) Service Mark are collectively referred to as the WorldSource Services. They consist of frame relay (data communication), managed bandwidth services (managed leased lines) and VPN (closed user group voice) services. The range of WorldSource services is not as extensive as the range of services offered by Unisource (and ultimately by the joint venture) under its own brands.

The WorldPartners Company licenses to the partners and members a package of intellectual property rights, including know-how, marks and software systems and processes enabling them to provide WorldSource services. It thus enables its licensees to service their international customers more effectively, especially by improving the interconnectivity between them.

It also acts as a clearing-house for traffic/usage and billing information, invoicing and collection among the members, and for account inquiries to allow and facilitate application of one-stop-shopping and one-stop-billing principles.

The Unisource partnership interest in WorldPartners company and the membership agreements of Unisource and AT&T Communications UK Ltd. will be transferred to Uniworld.

¹ Therefore, Unisource is also a Member of the WorldPartners Association. AT&T Communications UK Ltd. is a Member, but not a Partner. Their membership association is to be assigned to Uniworld upon its formation.

² AT&T Communications UK Ltd. will become the WorldPartners Member for the UK.

The Teaming Agreement

Although AT&T and Unisource are not fully aware of the structure and operations of the EVUA, which is presented as a customers' association, it is (at present) not a joint venture company or organization. Its members deal separately with providers of telecom services.

The EVUA and its members organized a selection procedure for the service providers. Taking into account that AT&T and Unisource at the time expected their joint venture company to be operational shortly after the entry into force of any arrangement with the EVUA, AT&T and Unisource decided to file a joint bid in this procedure. As was indicated to the press and discussed with the Merger Task Force on July 15, 1994, they have been selected as one of the suppliers for the EVUA.

Under the Teaming Agreement between AT&T and Unisource which is yet to be concluded, they agree to act jointly to provide an international virtual private network for the provision of telecommunications services to individual members (closed user groups) of the EVUA. The Teaming Agreement is mainly intended as an interim arrangement pending the conclusion of the agreements for the establishment of the joint venture and will be superseded by the latter agreements.

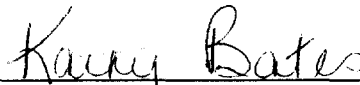
The Teaming Agreement has been drafted as a purely transitional arrangement to cover the parties' provision of services to EVUA members until it is subsumed in Uniworld. The agreement will provide for termination if no agreement is reached by the end of the year.

Notifications

The parties intend to notify afore-mentioned agreements to the European Commission in due course.

CERTIFICATE OF SERVICE

I, Kathy Bates, a legal secretary with the law firm of Hogan & Hartson L.L.P., hereby certify that on this 12th day of May, 1995, a copy of the foregoing Reply Comments of BT North America Inc. was mailed by U.S. first class mail, postage prepaid, to the parties listed on the attached service list.



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Dated: May 12, 1995

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